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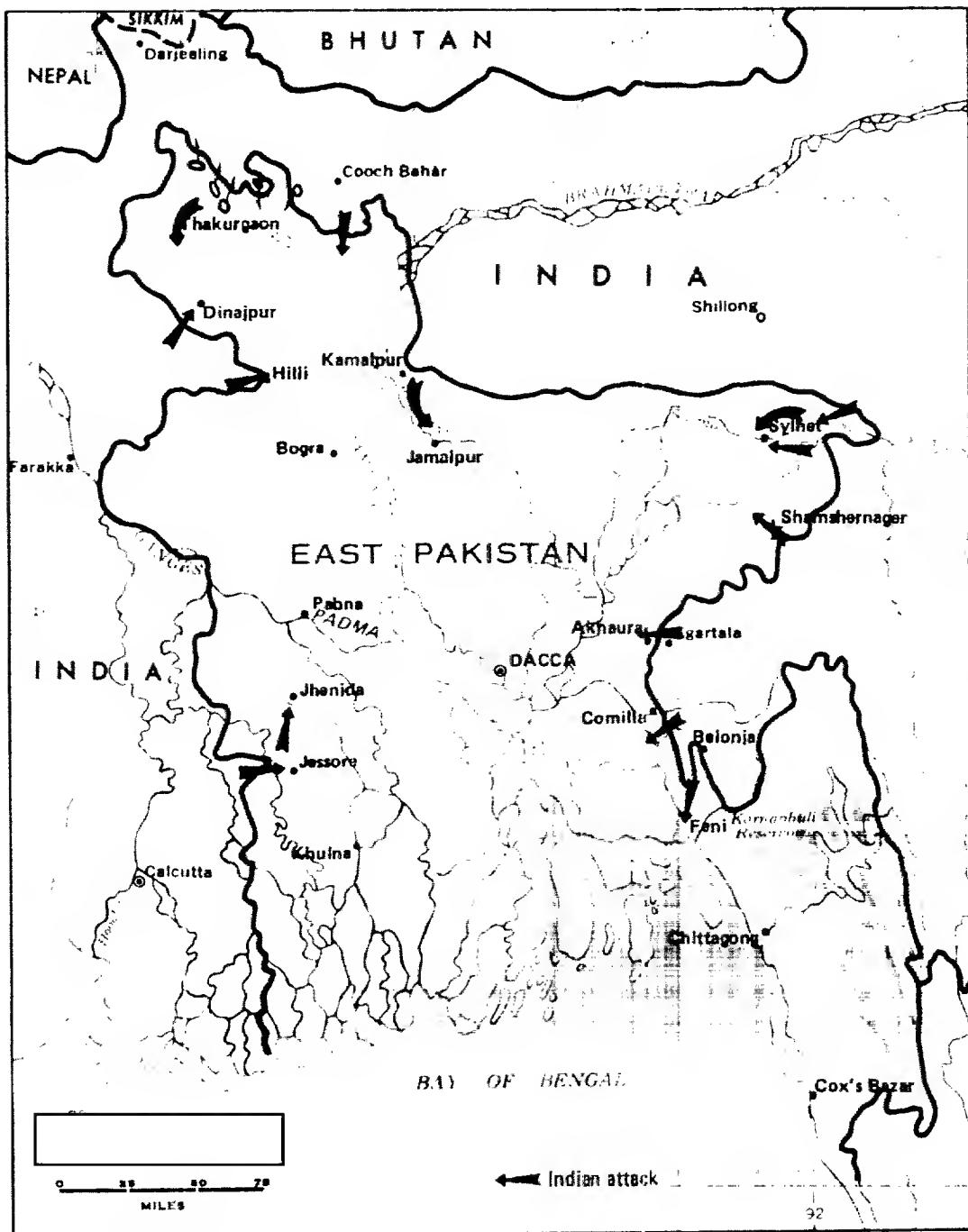
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C INDIA-PAKISTAN: Fighting in the West reportedly has intensified, while the Pakistanis continue bitterly to contest Indian gains in the East.

Indian forces in East Pakistan continued to gain ground yesterday. They captured the airfield and military base at Jessore, but the town itself was still being contested. The Indians also claimed to have taken Sylhet town in the northeast and to be moving on Jamalpur in the north. The Pakistanis apparently are still holding out in Hilli and Comilla.

With the Mukti Bahini holding sway over much of the countryside, particularly in the northwest and to the south of Dacca, the Indians and guerrillas now probably control about half the province. According to Indian radio reports, as areas are "liberated" they are being turned over to the Mukti Bahini for administration.

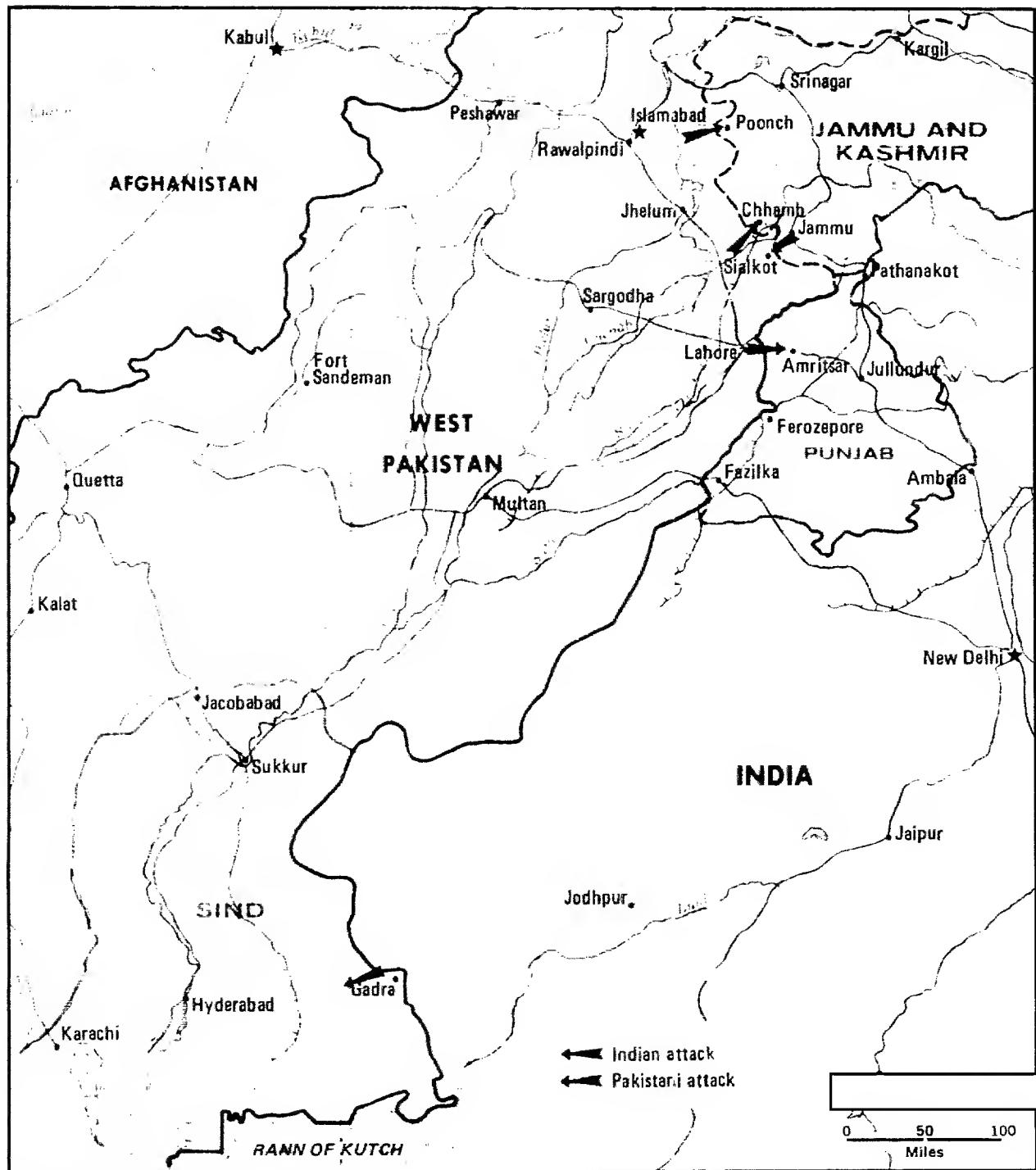
There is no good evidence yet, however, that Pakistani forces in East Pakistan are falling into disarray or abandoning military discipline. In fact, the Indians have apparently suffered fairly heavy casualties in some encounters as the Pakistanis continue to offer stubborn resistance.

In the West, Indian officials have indicated some concern over the Pakistani offensive in Indian Kashmir and have admitted the loss of the town of Chhamb near the border. The Pakistanis' other drive into Kashmir has yet to take Poonch, however, and their offensive toward Amritsar in India's Punjab State reportedly has been halted. Indian forces in turn have penetrated a few miles into West Pakistan near Sialkot, but the Pakistanis claim to have stopped this drive. In the Sind area there has been little further progress by the Indian offensive that reportedly was mounted to relieve the pressure on Indian forces farther north. At last report this drive had penetrated at least 15 miles into West Pakistan. Both sides continue to make air strikes **D**

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C on the western front, but neither has yet gained the upper hand.

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President Yahya Khan moved ahead yesterday with his plan to establish a civilian coalition government in Pakistan. Islamabad announced that Nurul Amin, an East Pakistani friendly to the Yahya government, will be prime minister. Leftist West Pakistani politician Z. A. Bhutto has been appointed deputy prime minister and foreign minister.

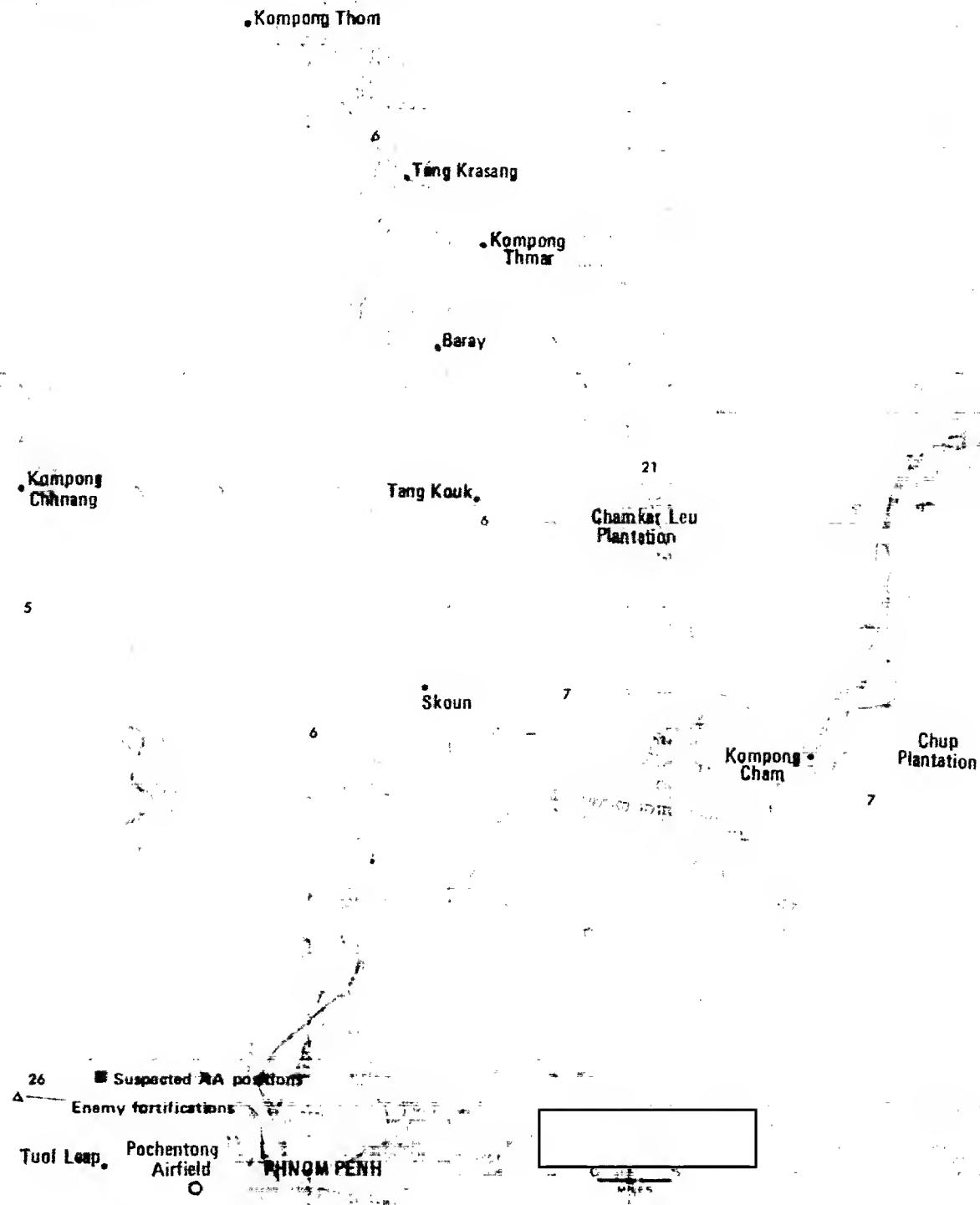
Peking has denounced India's recognition of Bangla Desh and has again criticized Moscow for its role in the crisis, alleging that the Soviets encouraged the Indians to invade East Pakistan and create a Bengali state. Moscow, however, has not followed New Delhi's lead thus far in recognizing Bangla Desh and probably will hold off doing so in order to avoid a rupture in diplomatic relations with Islamabad.

The UN General Assembly last night voted 104 to 11 to accept a US-supported resolution calling for both a cease-fire and withdrawal of troops. Despite the impressive margin of the vote, it is likely to have little effect because India has indicated it will disregard this type of resolution.

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CAMBODIA: The Communists are continuing to strengthen their positions west of Phnom Penh.

US aerial observers continue to note extensive Communist fortification efforts. Fresh enemy trenching and bunker construction has been observed along Route 26 near the headquarters of the North Vietnamese 101D Regiment, and several suspected 12.7-mm antiaircraft positions have been located in the same area. These measures indicate that the Communists are trying to counter the tactical air support enjoyed by government forces.

Fighting in most of the Phnom Penh area has been relatively light in the past few days. Government efforts to counter the Communist presence continue to be ineffectual. Phnom Penh was shelled on 7 December. Only three mortar or rocket rounds fell on the city, and casualties and damage were light. Pochentong airfield was also hit but remains open to both military and civil air traffic.

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CHILE: Opposition criticism of the armed forces is likely to strengthen President Allende's hand at least temporarily against his critics.

Allende quickly took offense over taunts by a conservative newspaper that the Chilean military has been bought off by the government. The paper has been closed under the state of emergency decreed on 2 December, and Allende says that legal charges will be brought against those responsible for the defamation. More important, his attack on the "besmirchers of the armed forces' historic tradition" will help to drive a wedge between the newly aggressive Chilean opposition groups and the military, whose support is one of Allende's top priorities. A Christian Democratic spokesman's demand that the commandant of the national police resign because his men attacked women marchers instead of their leftist assailants at the demonstration on 1 December may also prove counterproductive, in that it diverts attention from attempts to lay the blame for police conduct on the administration.

Communist Party chief Corvalan has announced that, since the governing Popular Unity coalition has thus far been too lenient, the government will take the offensive against "fascist bands." His tough tone, however, is belied by an overture to leftist elements of the opposition and by cautious Communist tactics on the unsettled labor front. Allende and the Communists still appear to prefer to depend on harsh words, on legal restraints involving the armed forces, and on their opponents' own miscalculations and divisions. They shy away from the more violent repression advocated by extreme leftists.

Allende carefully is leaving announcement of any measures taken under the state of emergency to the military commander, Major General Agusto Pinochet. The curfew was lifted on 7 December, but the state of emergency is still in effect in Santiago Province and, according to Pinochet, may last for six months.

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LIBYA-UK: The Libyan Government announced yesterday that it has decided to withdraw its assets from the UK in retaliation for British complicity in Iran's occupation of three Arab islands in the Persian Gulf. The subsequent nationalization of British Petroleum (BP) Exploration Company in Libya probably is a further expression of Libyan pique.

BP accounts for eight percent of Libyan oil production, which in turn is five percent of BP's world-wide production. The Libyan announcement did not indicate what, if any, compensation would be offered.

Libya's financial assets in the UK probably are no more than \$400 to \$500 million. The UK could pay out this amount with little difficulty at this time. As a result of speculation on international exchange rate realignments, the Bank of England added about \$400 million, and possibly more, to its reserves in November alone. Moreover, the bank probably would welcome an outflow of funds, the effect of which would be some depreciation of the pound.

Although Libya's action will not have any significant monetary effect on the UK at this time, the West faces a potential for serious financial impact of such irrational acts. Reserves of the Arab oil-producing countries are expected by the mid-1970s to amount to some \$25 billion, about one quarter of which will be held by Libya. [redacted] [redacted]

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POLAND: First secretary Edward Gierek's report to the party congress outlines visions of affluence without revealing a specific program to make them a reality.

Gierek said the management and policy errors that led to the worker riots last year had been overcome and that the party must now increase the autonomy of government and economic agencies. He also said, however, that the party is providing more instruments to control these bodies. Gierek was purposely vague because "the leading role of the party" has been jealously guarded by the middle and lower levels of the party apparatus and carefully monitored by Moscow.

Although Gierek's personal position seems strong, his ill-defined programs suggest that he does not feel free to go very far in introducing innovations in Polish society. Even through elections to top party bodies at the end of the congress will provide Gierek with more supporters, he probably will continue his gradual approach to the problems of the Polish consumer, since this is the only prudent course open to him.

There is no guarantee the populace will be as patient. It has been lulled with some minor improvements in the standard of living, promises of a brighter future, and appeals to Polish nationalism. However, signs of tension persist in the Baltic coast cities. According to one report, dockyard workers in Gdansk are organizing a march next week to commemorate those who lost their lives during the civil disorders last year. If Gierek follows previous patterns, he will send a regime spokesman to Gdansk to keep the affair in proper channels.

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NIGERIA-GUINEA: Lagos apparently has been shipping military supplies to Conakry since at least last September.

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[redacted] the materiel consists mainly of uniforms and obsolete Soviet small arms and ammunition no longer needed by the Nigerian Army. The shipments, which are gifts from Nigeria, are expected to continue at monthly intervals.

Guinea's President Toure fears another Portuguese-led attack on Conakry because of his backing for the insurgents in neighboring Portuguese Guinea, and he repeatedly has requested Nigerian assistance. Nigeria's increased involvement with Guinea over the past year is in keeping with General Gowon's ambitions for his country to play a leading role in Africa and to be counted among its "progressive" elements.

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SPAIN: The reshuffle of bishops announced last weekend will permit the church to move forward on its program of social reform.

The government, which has a voice in ecclesiastical appointments in Spain, appears to have conceded more than the church did in the designation of a majority of liberal bishops to head seven dioceses. The most significant change was the appointment of Cardinal Enrique y Tarancón as bishop of Madrid-Alcalá, Spain's most important diocese. An advocate of an active church social policy which conflicts with the government's conservative labor policy, Tarancón replaces a supporter of the status quo who died last May.

The principal victory for the government was the transfer of the liberal Bishop Cirarda from Santander, where he also had responsibility for Bilbao and the Basque area, to the deep southern province of Cordoba. Cirarda sympathized with the nationalism and labor grievances of his fellow Basques. His removal represents a concession to government hard-liners, who have been demanding Cirarda's transfer ever since he expressed disapproval of the government's tactics in the trial of Basque nationalists at Burgos a year ago.

With relatively liberal men now occupying the principal ecclesiastical posts, the church is in a better position to work with those political groups both within and outside the government who want a stronger role for labor in Spain. As part of the price for the government's concurrence in these liberal appointments, the church may have reached an understanding that it will confine its push for reforms to the social rather than the political field.

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MALAGASY REPUBLIC: President Tsiranana's attempts to root out suspected antagonists are generating increasing political discontent.

Security authorities are continuing their investigation into an "anti-government plot" allegedly uncovered in October, when officials arrested 30 persons accused of being members of a "Maoist-inspired" revolutionary movement with cells throughout the island. Searches recently carried out at the University of Tananarive have resulted in the arrest of two--possibly three--professors. These actions, which have prompted vigorous protests from both students and professors, may bring renewed student disorders.

Two army lieutenants have also been arrested, and General Andriamahazo, generally considered next in line for the post of commanding general of the armed forces, is said to be under suspicion because he did not report the plot immediately to Tsiranana. Widespread arrests and searches have also been carried out against Catholic priests, members of the small opposition party, and French citizens.

The Maoist plot, according to the government, is separate from the case of former vice president Andre Resampa, which brought about the expulsion of the US ambassador. Resampa, Tsiranana's one-time heir apparent, was arrested in June on charges of plotting. Tsiranana's purge of Resampa supporters in the ruling Social Democratic Party had already resulted in arrests of government and party officials.

The relative secrecy and general lack of legalities that have characterized these operations have created considerable uncertainty about Tsiranana's judgments. None of the persons involved is likely to pose any serious threat to Tsiranana, whose easily aroused suspicions in part led him to institute these harassments.

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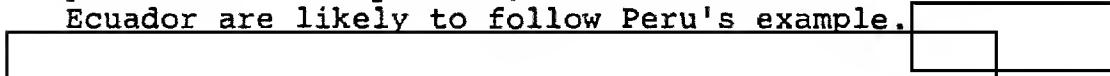
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NOTES

PERU-CUBA: Peru intends to request that the OAS meet next week to discuss the economic and diplomatic sanctions imposed on Cuba. The matter would be examined informally by the general committee of the Permanent Council on Monday; then a resolution would be submitted on 17 December giving "freedom of action" to OAS members to lift sanctions if they so desire. The Peruvian ambassador assumes that the council itself would not meet on the question before January, at which time--under a rotating system--Chile will be in the chair. Whatever the outcome, Peru is expected to resume diplomatic relations with Cuba after the OAS concludes its consideration of the matter, since the Peruvian Government considers such action to be in its own best interests. A majority favoring the resolution is possible. In any event, other countries such as Ecuador are likely to follow Peru's example.

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TURKEY: President Sunay again has turned to Prime Minister Erim to form a new government. The previous government collapsed last Friday following the resignation of most of the non-political members of the cabinet, which took Erim and the military leaders by surprise. The technocrats probably resigned because they realized that the government as then constituted could not push the pending reform program through Parliament over conservative opposition. The new cabinet probably will reflect more closely the political make-up of Parliament and may also offer the politicians a last opportunity to institute military-backed political and economic reforms before the armed forces decide they have to take over. [redacted]

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